Fiscal Year 2007 Amended Governor's Recommended Budget

Presentation to
House Appropriations Health Subcommittee
January 24, 2007

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Georgia Department of Community Health

Agenda

- Commissioner's Remarks
- Review of Governor's AFY 2007 Recommendations
  - Use House Tracking Sheet
- Follow Up Information from Joint Appropriations Hearing
  - Growth in Medicaid Benefits compared to State Revenue Growth
  - Proposed federal rules impacting supplemental payments to hospitals and nursing homes

17.0.1 – Loss of Prior Year (PY) Surplus

FY 2005 Excess Intergovernmental Transfers from the Upper Payment Limit Program were rolled forward to provide one-time coverage of needs in AFY 2006 and FY 2007

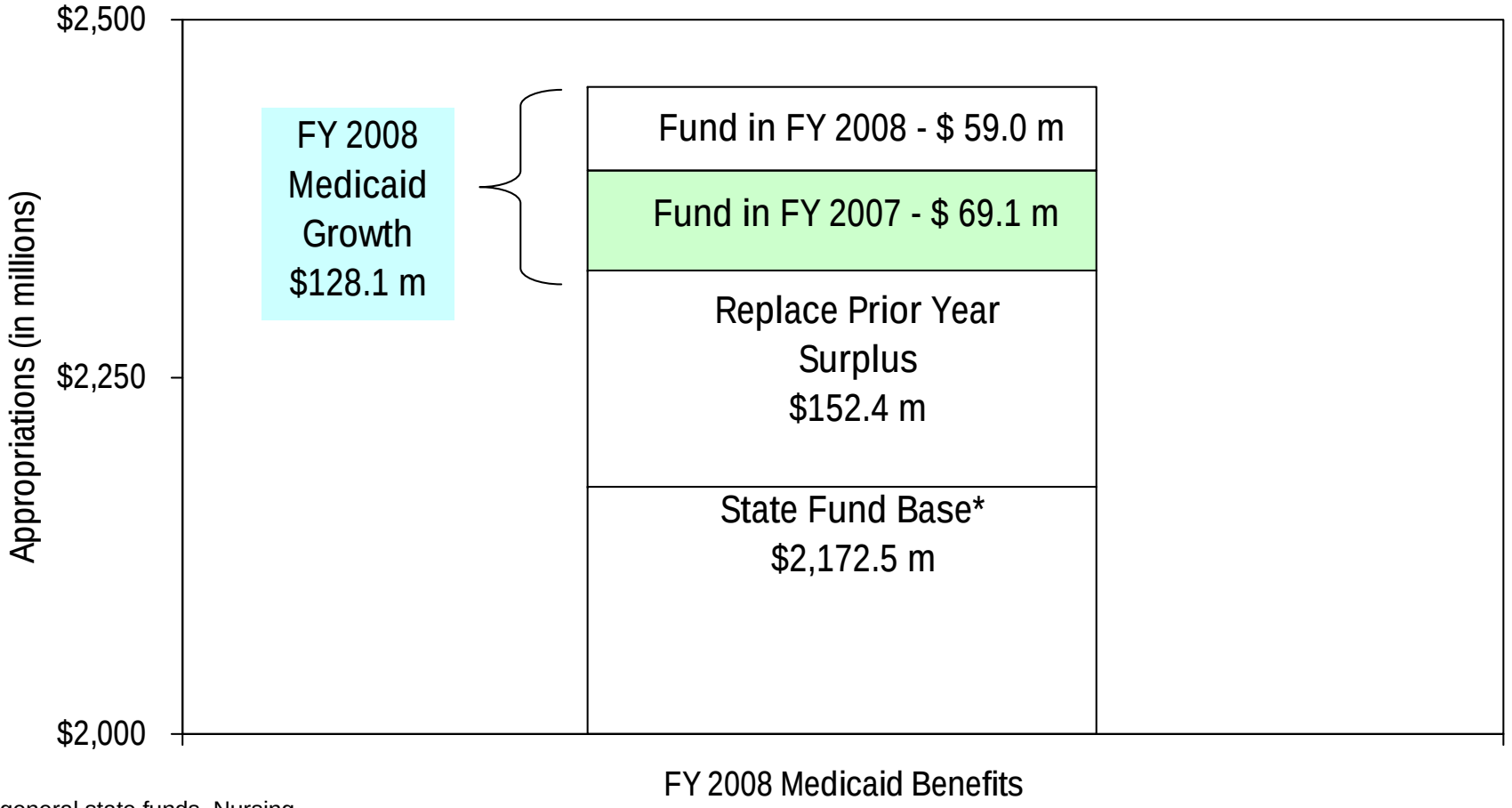
AFY 2006 H.B. 1026

Administration:	$ 12.7 m
Medicaid Benefits:	
•LIM	$ 56.2 m
•ABD	$ 89.3 m
Total:	$158.2 m

FY 2007 H.B. 1027

Administration:	$ 14.1 m
Medicaid Benefits:	
• LIM	$ 79.8 m
• ABD	$ 72.6 m
Total:	$166.6 m

17.0.2 – Pre-Fund FY 2008

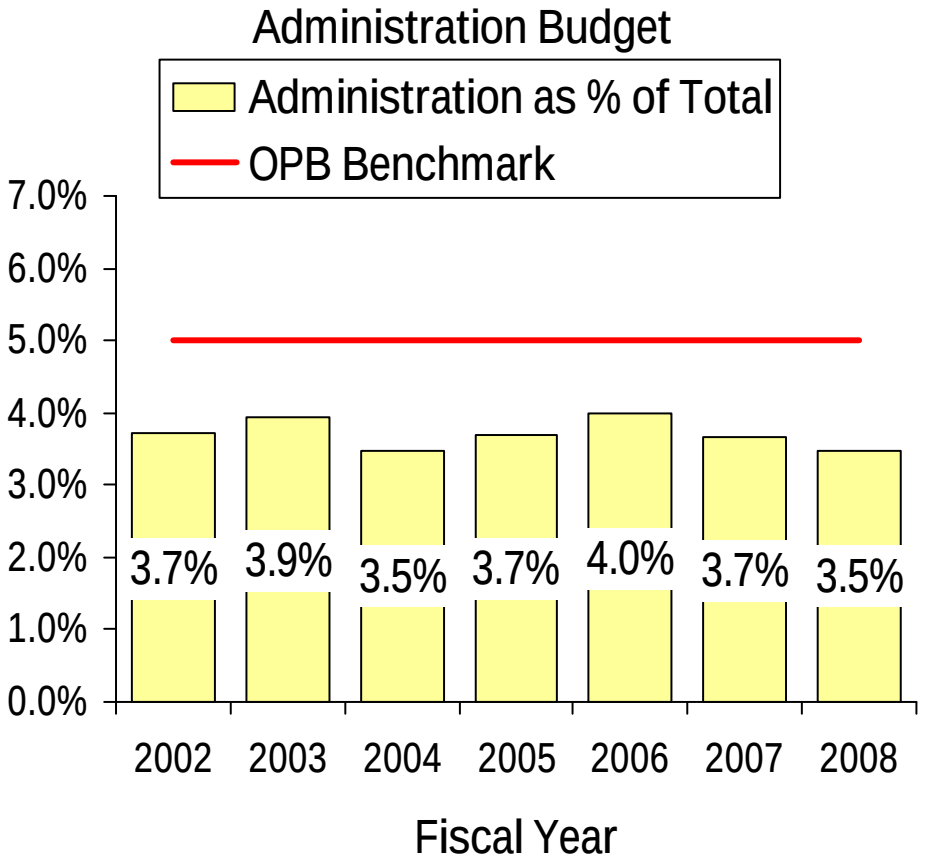


*Includes general state funds, Nursing Home Provider Fees and CMO Quality Assessment Fees

DCH Administration

DCH

- DCH* has 465 budgeted FTE's providing administration of an **$11 billion budget** and healthcare coverage for **2.3 million members** or 26% of the state's population
- FY 2007 Administration as Percent of Total Budget: 3.7% (compare to OPB Benchmark of 5%)
- Per AON and Mercer, average administrative expenses for large insurers 10–12%



* Not included attached agencies

Overview
Requested Administrative Support

17.0.3 – 3 Positions to Ensure accurate Medicaid Member Eligibility*

17.0.4 – 2 State Health Benefit Plan Auditors*

17.1.2 – 8 Contract Management Positions

17.1.3 – 2 Legal Services Positions

*Funded by Transfers

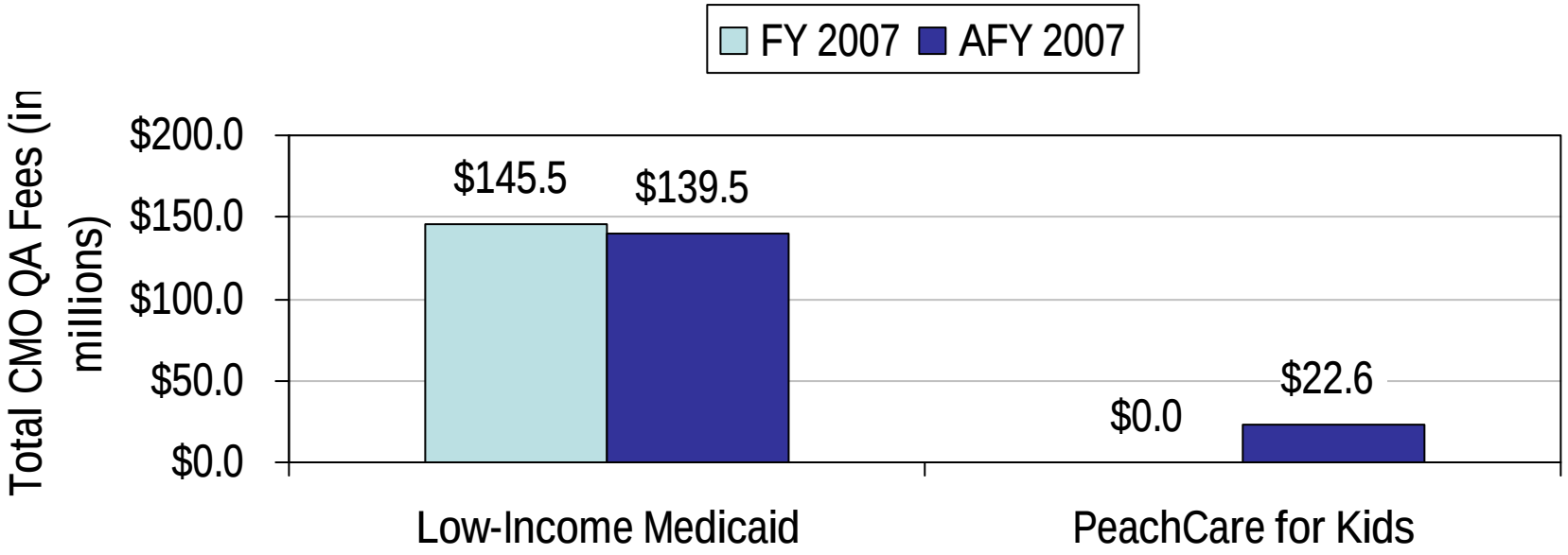
Total: 15 new FTE's Requested

Total New State Funds in AFY 2007: $148,662

CMO Quality Assessment Fees

17.4.1 and 17.4.2

Reflect projected quality assessment fees for the Low-Income Medicaid and PeachCare for Kids programs.



17.4.3 – Disproportionate Share Hospitals

- DSH – historically funded with Intergovernmental Transfers (IGTs)
- Private providers cannot contribute IGT's like public providers can
- Prior to FY 2006 – public providers contributed extra IGT's to fund the private providers
- CMS required state to end this practice in FY 2006
- General Assembly appropriated $14 million in AFY 2006
- AFY 2007 – Governor recommending $10 million

17.6.1. Nursing Home Provider Fee Increase

AFY 2007 Nursing Home Provider Fees and Use

- Provider fees proposed to increase from $9.15 to $13.11 per day from February 11, 2007 through June 30, 2007
- Fees used to implement two-part rate change for Medicaid rates:

  From February 11, 2007 through March 31, 2007:
  - Cost of Provider Fee Increase
  - Increased inflation from 0% to 4.5% applied to FY 2005 cost reports

  From April 1, 2007 through June 30, 2007:
  - Cost of Provider Fee Increase
  - Inflation adjusted to 4.0% applied to FY 2005 cost reports
  - 1% Add-On for meeting Quality Incentives
- Generates $10.8 million in new state funds – brings total for NH Provider Fees up to $110.1 million

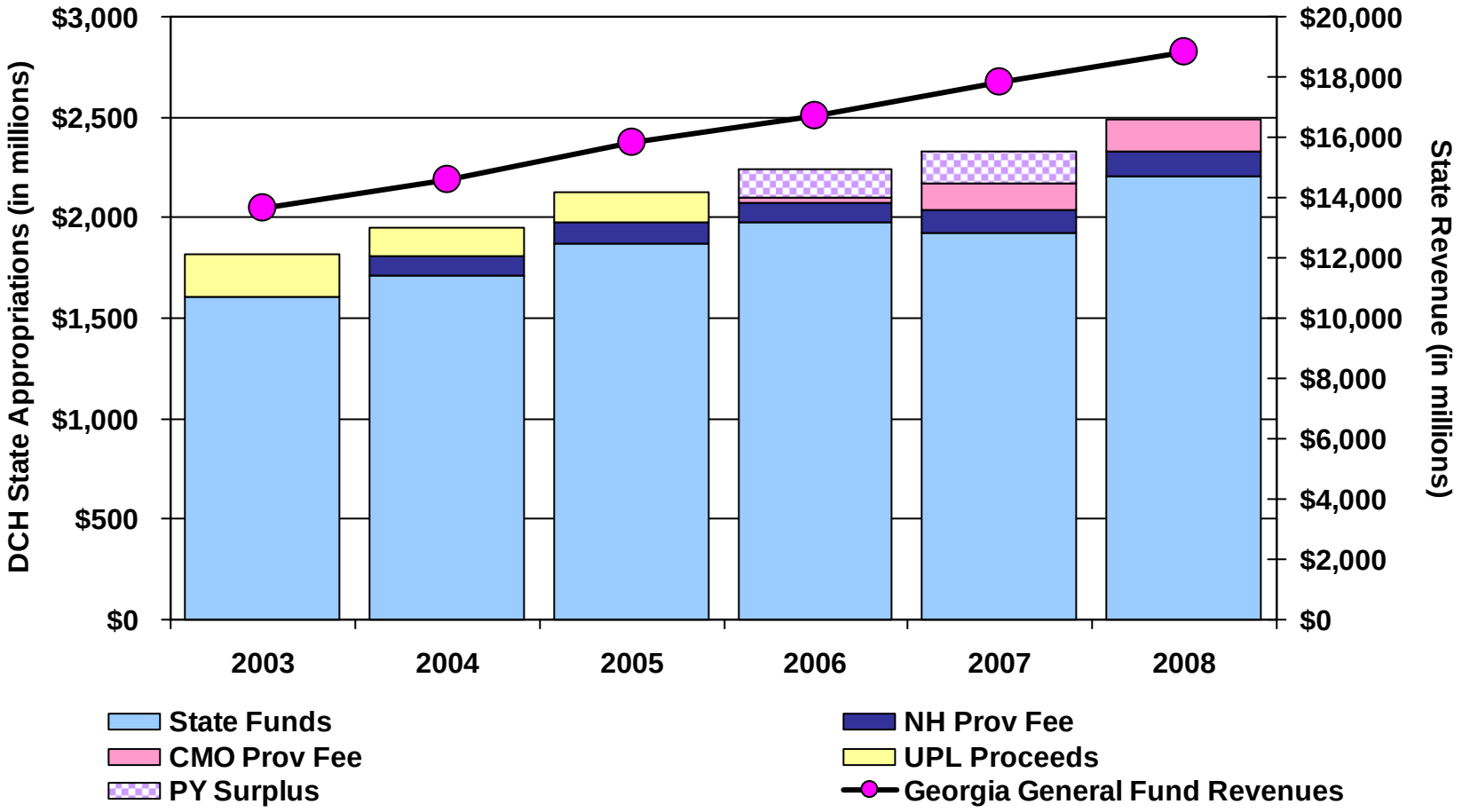
AFY 2007 Budget Summary

Fund Type	FY 2007 Current Budget	AFY 2007 Governor's Recommendation	Difference
Total Funds	$10,977,722,783	$11,336,856,941	$359,134,158
State and Tobacco Funds	$2,379,182,299	$2,652,525,094	$273,342,795
Federal and Other Funds	$8,598,540,484	$8,684,331,847	$85,791,363

AFY 2007 – 12.0% Increase in State Funds Budget

Medicaid (LIM/ABD):	$207.4 m	– Addresses loss of PY surplus and FY 2008 Medicaid growth
Administration:	$ 28.4 m	– Realigns state funds and addresses loss of PY surplus
Indigent Care Trust Fund:	$ 26.6 m	– Adjusts CMO QA Fees and adds funding for private DSH hospitals
Nursing Home Provider Fee:	$ 10.8 m	– Reflects rate increase funded by nursing home provider fees
Health Care Access & Improvement:	$ 28.2 k	– Supports Health Care Improvement Advisory Board
Attached Agencies:	$ 39.6 k	
Total New State Funds:	$273.3 m	

Medicaid Benefits
Appropriations by Fund Source



Proposed Federal Regulations

- Released January 18, 2007 by federal Centers for Medicare and Medicaid Services (CMS)
  - Public Comment due to CMS by March 19, 2007
- Overview of Provisions (effective Sept. 1, 2007)
  - New cost limits on Medicaid payments to public providers
  - New Federal definition of Public Provider
  - Restrictions on the source of state matching funds
  - Mandates on use of Medicaid payments received

Proposed Federal Regulations - Impact (cont.)

New cost limits on Medicaid payments to public providers

- Currently, inpatient hospital and nursing home Upper Payment Limit (UPL) payments calculated based on Medicare principles
  - Outpatient hospital UPL already cost-based so no impact
- *Very Rough Annual Estimates* of Impact of this provision on the current UPL Program (assuming existing providers remain "public")

Non-State Inpatient Hospital:	($ 27.8 million) – 34% reduction
State Inpatient Hospital:	($ 7.8 million) – 100% reduction
Non-State Nursing Homes:	($ 79.9 million) – 81% reduction
State Nursing Homes:	($ 14.2 million) – 100% reduction

Proposed Federal Regulations - Impact (cont.)

New cost limits on Medicaid payments to public providers

OTHER PROVIDER GROUPS IMPACTED:

- School-based Children's Intervention Services
  - Local Boards of Education currently providing state match for Fee-for-Service program
- Teaching physicians participating in Physician UPL Program
- Public Health

LOGISTICAL REQUIREMENTS

- Interim payments allowed until cost can be quantified after the fact – then state must settle with provider
- Individual provider caps on cost vs. aggregate caps for the pool of public providers
- Cost reporting mechansims undefined for non-facility based providers

Proposed Federal Regulations - Impact (cont.)

New Federal definition of Public Provider:

"State, a city, a county, a special purpose district, or other governmental unit in the State (including Indian Tribes) *that has generally applicable taxing authority*."

In Georgia, hospitals and nursing homes are labeled "non-state, governmental" due to their ownership by a Hospital or Developmental Authority.

- While such authorities have access to or receive tax revenues appropriated by county commissions, they do not have the authority to levy local taxes.

OUTCOME: Georgia hospitals and nursing homes historically considered non-state, governmental for participation in the Upper Payment Limit programs would be considered "private" under the new regulations.

Would need a new state matching fund source for both DSH and UPL for all hospitals and nursing homes considered "private"

Proposed Federal Regulations - Impact (cont.)

Restrictions on the source of state matching funds

- Only “units of government” (newly defined) would be eligible to provide state matching funds through Intergovernmental Transfers (IGTs) or Certified Public Expenditures (CPEs)
  - IGT’s could only be derived from tax revenue (vs. public funds)
  - CPE’s can only be used to support cost-based reimbursement
    - Require certification by governmental agency to the state and CMS

Proposed Federal Regulations - Impact (cont.)

Mandates on use of Medicaid payments received

- All providers required to receive and retain the full amount of the total computable payment

CMS will look at:

1. Evidence that IGT's take place before the Medicaid payment to the provider is made
2. Use of a separate account to finance the IGT, where the account is funded by taxes and is separate from the provider's account that receives Medicaid payments.

FY 2006 Supplemental Payments

Program	Calculations	Total	State	IGT	Federal
DSH	Cost Based	$417,724,430	$14,000,000	$150,583,425	$253,141,005
UPL – Hospital*	Inpt. – Medicare Outpt. – Cost Based	185,915,195	2,791,987	70,458,600	112,664,608
UPL – Graduate Medical Education	Per Student in GME Program (per GBPW)	64,973,354	25,599,501	0	39,373,853
UPL – Nursing Home	Medicare Based	94,369,177	0	37,181,456	57,187,721
UPL – ICF/MR (DHR)	Medicare Based	14,178,915	0	5,586,493	8,592,422
	TOTAL	$777,161,071	$42,391,488	$263,809,974	$471,323,609

* For FY 2007, expect payments to be approximately 50% of FY 2006 due to federal requirements that require payments made by CMO's to be excluded from the UPL calculation